

Worcester Investment Regulations

PERAC Approval Date	Regulation Number	Supplemental Investment Regulation
June 26, 2006	16.08	In accordance with Investment Guideline 99-2, the Worcester Retirement Board is authorized to transfer its assets from TBC's International ACWI (All Countries World Index) Fund to TBC's EAFE Value Fund. The two funds are managed by the same portfolio management team and in a similar style, with the difference being that the ACWI Fund includes a small allocation to emerging market equities. Since the Board recently hired a separate manager dedicated to emerging market equities, the Board is making this change in order to avoid any overlap between the two managers. By slightly limiting its investment universe, the Boston Company will focus on international developed market equities while the newly hired manager will be responsible for emerging market equities.
May 15, 2006	16.05	Notwithstanding the provisions of 840 CMR 16.00 et seq., the Worcester Retirement Board may be permitted to invest funds of the Worcester Retirement System in the funds known as Aetos Capital Multi-Strategy Arbitrage Cayman Fund, Aetos Capital Distressed Investment Strategies Cayman Fund, Aetos Capital Long/Short Strategies Cayman Fund and/or Aetos Capital Market Neutral Strategies Cayman Fund (collectively "Aetos Funds") noting that as a so-called hedge fund of funds, the Aetos Funds do not trade securities, and therefore do not pay brokerage commissions or use soft dollars; and, the Aetos Funds do not vote proxies or participate in tender offers, because said Funds do not own individual securities.
May 15, 2006	16.00, 17.00, 18.00, 19.00 and 21.00	Notwithstanding the provisions of 840 CMR 16.00 et seq., the Worcester Retirement Board may be permitted to invest funds of the Worcester Retirement System in BPIF Non-Taxable L.P., a Delaware limited partnership (the "Fund"), noting that as a so-called hedge fund of funds, the Fund invests in other funds, and while Blackstone Alternative Asset Management L.P., the Fund's general partner ("General Partner") can comply with the provisions of 840 CMR 16.00 et seq. with respect to the Fund's direct investments, it cannot make such representations regarding any indirect investments, or the investments of the funds which it does not directly manage.
December 12, 2005	16.08	In accordance with Investment Guideline 99-3, the Worcester Retirement Board is authorized to invest in Northstar Mezzanine Partners IV. The system has been a satisfied investor in Northstar Mezzanine Partners III, the immediate predecessor fund, and has submitted updated Disclosure Statement and Exemption Application forms.
October 19, 2005	19.01(8)	The Worcester Retirement Board is authorized to increase the Board's maximum allocation to alternative investments (venture capital, private equity, et. al.) from the current regulatory maximum of 5% of total

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		portfolio assets at the time of investment to 10%. The Board's current allocation is about 4% and it is unlikely that the allocation will rise as high as 10%. Nevertheless, because of the special challenges involved in investing in this asset class, the Board would like the flexibility to exceed the existing 5% limit. The Board has had experience investing in alternative investments since 1992.
June 24, 2005	16.08	In accordance with PERAC Investment Guideline 99-2, the Worcester Retirement Board is authorized to modify its large cap equity mandate with State Street Global Advisors by transferring assets from the S&P 500 Index Fund to the Russell 1000 Value and Russell 1000 Growth index funds. Together, the two Russell 1000 funds cover the same large cap universe as the S&P 500, but the separation into the two style-specific funds will offer the board greater flexibility to control risk, and to take advantage of opportunities, relative to its growth/value allocation.
May 6, 2005	19.01(6)	Notwithstanding the provisions of Public Employee Retirement Administration Commission regulations, including 840 CMR 21.01(6), the City of Worcester Retirement Board may exercise its investment discretion to invest funds of the City of Worcester Retirement System (the "System") in the shares of a real estate investment trust known as Hancock Timberland VII Inc. (the "Fund"), as contemplated by 840 CMR 19.01(6), and while funds of the System are invested in shares of the Fund, for purposes of applying the rules set forth in 840 CMR 16.00 et seq. and 17.00 et seq., investments of the System shall not be deemed to include any of the underlying assets of the Fund, but shall only include the shares of the Fund, and the Fund shall not be deemed to be an investment manager or fiduciary to the System; provided that at all times the Fund qualifies as a "real estate operating company" within the meaning of the Employee Retirement Security Act of 1974, as amended ("ERISA") and the regulations promulgated there under, or the assets of the Fund are otherwise not treated as "plan assets" of the System.
May 2, 2005	16.08	In accordance with PERAC Investment Guideline 99-3, the Worcester Retirement Board is authorized to invest in Charlesbank Equity Fund VI. The Board has been a satisfied investor in the predecessor fund, Charlesbank Equity Fund V.
January 31, 2005	16.08	In accordance with Investment Guideline 99-2, the Worcester Retirement Board is authorized to make a modest modification to its large cap equity index mandate with State Street Global Advisors. Standard & Poor's has announced that it will be adopting a free-float methodology for all their U.S. equity indexes, with final implementation scheduled for September 2005. In order to help address concerns over the possible market impact of this rebalancing, S&P has created provisional indexes. In hopes of avoiding whatever market impacts might be caused by the full transformation later this year, the Worcester Retirement Board has decided to switch from

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SSGA's S&P 500 Index Fund to the SSGA S&P 500 Flagship Securities Lending Provisional Fund.

February 25, 2004	19.01(6)	Notwithstanding the provisions of Public Employee Retirement Administration Commission regulations, the City of Worcester Retirement Board may invest funds of the City of Worcester Retirement System (the "System") with a real estate investment fund, as contemplated by 840 CMR 19.01(4)-(6), known as Heitman Value Partners, L.P. ("the Fund"), and while the funds of the System are so invested the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq. and 17.00 et seq.; the System's interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, the Fund qualifies as a "real estate operating company" or venture capital operating company" within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the regulations promulgated thereunder, or the assets of the Fund otherwise would not be treated as subject to ERISA.
October 27, 2003	16.08	In accordance with PERAC Investment Guideline 99-3, the Worcester Retirement Board may invest in the Ascent Venture Partners IV Fund. The board has been an investor in Ascent's two predecessor funds and the investment results from those two partnerships have been satisfactory to date.
October 20, 2003	16.08	In accordance with PERAC Investment Guideline 99-3, the Worcester Retirement Board is authorized to invest in the Riverside Capital Appreciation Fund 2003. This is the immediate successor fund to the Riverside Capital Appreciation Fund 2000, in which the Board invested in 2001. The earlier fund has had strong performance to date and the new fund is to be managed by the same investment team and with the same investment objectives.
September 22, 2003	16.08	Under the terms of Investment Guideline 99-2, the Worcester Retirement System is authorized to make a minor modification to its investment-grade fixed income mandate with Opus Investment Management. Under this change, Opus will create a separate account for Treasury Inflation-Protected Securities (TIPS), a segment of the market included in the universe the firm currently manages. Since the United States has issued only ten offerings of TIPS bonds and the account will not require active management, Opus will manage this account for a fee of only 0.10% which is lower than the fee for the system's existing core bond account.
September 22, 2003	16.08	The Worcester Retirement Board is authorized to make a modest modification to its high-yield investment mandate with Loomis Sayles. This modification involves no change in the overall investment objective or in the account's benchmark.

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Under this modification, Loomis Sayles is authorized to invest in senior loans (“bank loans”) up to 20% of the market value of the account. These are loans that are made by banks to the same universe of companies that comprises the high yield market. Because these loans are typically senior in the capital structure as well as secured by collateral, they typically have better default recovery rates and superior risk-adjusted performance than conventional high-yield bonds. Also, since these loans are adjustable-rate in nature, they have very little volatility from interest-rate changes.

Thus, it is expected that the inclusion of senior loans will help to preserve principal and reduce volatility in the high-yield portfolio.

June 13, 2001	16.08	In accordance with PERAC Investment Guideline 99-2, the Worcester Retirement Board may modify its international equity mandate with The Boston Company. The Board currently invests in TBC’s International Equity Pooled Fund and TBC makes small tactical allocations to emerging markets through its Emerging Markets Pooled Fund. TBC has created a single commingled fund, the Pooled Employees International ACWI (ex U.S.) Equity Fund by which to accomplish the same investment strategy in a more efficient manner. The Board will incur no cost or change in fees by making this modification.
August 14, 2001	16.08	In accordance with Investment Guideline 99-2, the Worcester Retirement Board is authorized to modify its fixed income management mandate with Loomis Sayles. The existing mandate calls for Loomis to invest in “high yield” corporate bonds and lower-investment-grade corporate bonds in approximately equal amounts. In order to simplify the board’s portfolio structure, the lower-investment-grade portion of the account will be eliminated and Loomis will concentrate on high- yield bonds. The board has had a satisfactory relationship with Loomis Sayles for over five years and the firm is recognized within the industry as a leading manager of high-yield bonds.
October 19, 2000	16.08	The Worcester Retirement System may invest in the Standard Life European Strategic Partners Fund. This is an alternative investments “fund-of-funds” in which, according to an agreement between the Board and Standard Life, decisions as to the actual selection of investment partnerships will be made by Standard Life in a process not overseen by the Board. The Board will periodically monitor the selection process used by Standard Life.
April 6, 2000	16.08	In accordance with PERAC Investment Guideline 99-2, the Worcester Retirement Board may re-allocate 50% of the assets currently invested in the SSGA S&P 500 Flagship Fund into the SSGA Equal Weighted S&P 500 Fund. Under this modification, the Board will be invested in the same universe of stocks but will reduce its exposure to large capitalization growth stocks and increase its exposure to the smaller stocks

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within the S&P 500 Index. The board believes this modification will decrease its exposure to stocks that may be over-valued and increase its exposure to stocks that may represent better value.

March 20, 2000	16.08	In accordance with PERAC Investment Guideline 99-3, the Worcester Retirement System may invest in Boston Millennia Partners II, L.P. The System has not been invested in Boston Millennia Partners (BMP) I but information provided by the System, by the System's Investment Consultant, and by the manager indicates that BMP II can be reasonably considered a successor fund to one of the System's existing funds, Boston Capital Ventures (BCV) III. The general partners and other key managers of BMP are essentially the same team that managed BCV III. These men, led by Managing General Partner Dana Callow, Jr., created BMP in 1997, working initially in the same office space, and still maintain management responsibility for the investments in BVC III. Also, the investment objective of BMP II is the same as for BCV III.
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